SENATE, No. 1807

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 24, 2020

Sponsored by:
Senator M. TERESA RUIZ
District 29 (Essex)

SYNOPSIS

Establishes tuition reimbursement program for students enrolled in certain private postsecondary educational schools.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning certain private postsecondary institutions and supplementing Title 34 of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. A private career school shall obtain a performance bond payable to the Commissioner of Labor and Workforce Development in an amount to be determined by the commissioner. The proceeds of the performance bond may be used to pay approved refunds or to reimburse the fund established pursuant to section 2 of this act for refunds or other payments made to or on behalf of a student.

2. A restricted, nonlapsing, revolving Private Career School Student Tuition Protection Fund, to be managed and invested by the State Treasurer, is hereby established in the Department of Labor and Workforce Development. The purpose of the fund shall be to provide for a system of equitable refunds in the event of the closure of a private career school. The State Treasurer shall have full statutory powers of investment of the fund, except that any interest, income, and dividends derived from the investment of the fund shall be credited to the fund. The operating expenses of the fund shall be paid out of the monies in the fund.

3. a. A private career school shall pay to the State Treasurer, to be deposited into the Private Career School Tuition Protection Fund, an amount set by the commissioner for each student enrolled in that school, in the manner set forth below. This charge shall not be considered a part of tuition.

(1) Within 90 days of the effective date of this act, a private career school shall make a payment for each student enrolled at that school as of the effective date of this act.

(2) For newly-enrolled students who start a program of instruction after the effective date of this act, payments shall be made on a quarterly basis, on the dates of January 30th, April 30th, July 30th, or October 30th, for students enrolled within a three month period ending the month immediately preceding the applicable payment dates.

b. When the balance in the fund reaches $2,500,000, and upon notification from the commissioner, private career schools shall cease contributing to the fund. If the balance in the fund is reduced to an amount less than $2,000,000 because of a school or program closure, the commissioner shall notify all private career schools, and they shall resume payment for all newly-enrolled students after the notification date, according to the schedule in paragraph (2) of subsection a. of this section until the balance in the fund is recapitalized at the amount of $2,500,000.

c. Notwithstanding the provisions of subsection b. of this section to the contrary, a private career school receiving an initial certificate of approval pursuant to section 13 of P.L.2005, c.354 (C.34:15C-10.1) after the effective date of this act, shall make the payments as required by this section for a period of four years.

d. As used in this act:

"Commissioner" means the Commissioner of Labor and Workforce Development.

"Department" means the Department of Labor and Workforce Development.

"Private career school" or "school" means a qualifying school as defined in section 4 of P.L.1989, c.293 (C.34:15C-1).

4. Whenever a private career school ceases to operate, becomes insolvent, or otherwise ceases all instructional activity, the following shall apply:

a. Any student enrolled in the school who has paid tuition for a course or unit of instruction at that school, but is unable to complete the course or unit of instruction because of the insolvency or cessation of operation of the school, or was enrolled in the school within 90 days of the insolvency or cessation of operation of the school and is owed a tuition refund from the school, is eligible to apply to the department for a refund of any tuition which the school has not previously refunded to the student. The commissioner shall seek to notify all students eligible for a refund. The following payments shall be made from the Private Career School Student Tuition Protection Fund, to the extent monies in the fund are available.

(1) If an eligible student is transferring to another private career school to complete the contracted-for courses or instruction, the program expenses incurred by the receiving school shall be paid to that school on behalf of the student subject to the approval of the commissioner.

(2) If an eligible student is not transferring to another private career school, the amount of refund for which the student is eligible shall be determined by the department based on various factors, including, but need not be limited to, the percentage of contracted-for services received and the availability to the student of opportunities to complete the course or instruction at another school within a reasonable period of time. In no case shall the amount of refund paid exceed the amount of tuition paid by a student.

b. The department, in consultation with the Executive Director of the Higher Education Student Assistance Authority, shall identify all students who are pursuing a course or instruction who have paid all or part of the tuition with State grant or scholarship funds. Any refund to which the student is entitled shall be made directly to the Higher Education Assistance Authority, except that any refund

amount which exceeds the amount of State grant or scholarship funds shall be distributed directly to the student.

c. The department shall pay claims approved pursuant to this section from the performance bond required pursuant to section 1 of this act whenever possible. When the bond is insufficient to pay all approved claims, the department shall direct the State Treasurer to issue a refund check drawn against the available funds in the fund. If a student is a minor, payment shall be made to the student's parent or legal guardian. A student who receives a refund or on whose behalf a refund is paid pursuant to this section, or if the student is a minor, the parent or legal guardian of the student, shall assign all rights to the State of any action against the school or its owner for tuition amounts reimbursed. Upon the assignment, the State may take appropriate action against the school or its owner in order to reimburse the fund for any expenses or claims that are paid from the fund and to reimburse any expenses the State incurs in undertaking the action.

5. This act shall take effect on the 180th day following enactment, except that the commissioner may take any anticipated administrative action in advance of that date as shall be necessary for the implementation of this act.

STATEMENT

This bill establishes a restricted, nonlapsing, revolving the Proprietary Institutions Student Tuition Protection Fund in the Department of Labor and Workforce Development. The purpose of the fund is to provide for a system of equitable refunds in the event of the closure of a private career school.

Under the provisions of the bill, a private career school which conducts business and maintains facilities within the State would be required to register with the Commissioner of Labor and Workforce Development and to receive a certificate of approval. The school would also be required to obtain a performance bond in an amount determined by the commissioner and made payable to the department.

Each school is to pay to the State Treasurer for deposit annually in the fund an amount set by the commissioner for each student enrolled in the school. Once the balance of the fund reaches $2,500,000, and upon notification from the commissioner, contributions to the fund will cease but will resume if the fund is reduced to an amount less than $2,000,000. The bill establishes procedures to be followed for payments from the fund in the event that a private career school ceases operation but also stipulates that approved claims for refunds shall be paid from an institution's performance bond whenever possible. When the bond is

insufficient to pay approved claims, a refund check shall be issued from the fund and the recipient of the refund shall assign all rights to the State of any action against the institution or its owner for tuition amounts reimbursed.

The bill sets the parameters for which a student enrolled in a private career school which ceases to operate, becomes insolvent, or otherwise ceases all instructional activity, to be eligible for a refund of any tuition which the school has not previously refunded to the student.

Furthermore, the bill requires the department, in consultation with the Higher Education Student Assistance Authority, to identify all students who are pursuing a course or instruction who have paid all or part of the tuition with State grant or scholarship funds. Under the bill, any refund to which the student is entitled shall be made directly to the authority, except that any refund amount exceeding the amount of State grant or scholarship funds must be distributed directly to the student.

The bill also requires that a student who receives a refund or on whose behalf a refund is paid, the student must assign all rights to the State of any action against the institution or its owner for tuition amounts reimbursed. Upon the assignment, under the bill, the State may take appropriate action against the school or its owner in order to reimburse the fund for any expenses or claims that are paid from the fund and to reimburse any expenses the State incurs in undertaking the action.